



Rhode Island Department of Revenue

Division of Taxation

ADV 2025-11
Tax Administration

ADVISORY FOR TAXPAYERS AND TAX PROFESSIONALS
June 26, 2025

PRELIMINARY NOTICE

Fiscal Year 2026 Budget Includes Motor Fuel Tax Increase

Change will be effective July 1, 2025 once enacted

PROVIDENCE, R.I. – The Rhode Island Division of Taxation informs Rhode Islanders that Rhode Island’s Fiscal Year 2026 budget, as passed by the General Assembly, makes changes to the Rhode Island Motor Fuel Tax rate.

Upon enactment of House Bill 5076 Substitute A, as amended, both the base tax rate and the formula for future adjustments will change. This means that the previously announced rate increase to thirty-eight cents (\$.38) that was scheduled to be in effect as of July 1, 2025 will no longer be accurate. Once enacted, as of July 1, 2025, the Rhode Island Motor Fuel tax rate for motor fuel will be forty cents (\$.40) per gallon.

Previously announced rate will be overridden by new calculation

The rate of thirty-eight cents (\$.38) announced in December 2024 in the Division’s [Advisory 2024-29](#), scheduled to take effect July 1, will not be going into effect. Instead, the new rate will be \$.40 per gallon effective July 1, 2025, once the Fiscal Year 2026 budget legislation is enacted.

Since 2014, the Rhode Island Motor Fuel Tax has been calculated by taking a base tax of thirty-two cents (\$.32) per gallon of fuel and adjusting it every second year based on inflation at the time of the calculation. The rate has been measured in September of even years, to take effect in July of odd years. This year, due to the legislation once enacted, the base of the tax will increase to forty cents (\$.40) per gallon (up from the original \$.32 base that has been adjusted over time per the statute). The new rate is indexed for inflation and the next application of the calculation of the indexed tax rate is July 1, 2027.

New formula will be applied once every two years

The \$.40 base rate will be the rate through June 30, 2027. Starting with the increase scheduled for July 2027 and after, the tax will again be indexed for inflation. However, the calculation used for that adjustment and subsequent adjustments will also change.

The Rhode Island Motor Fuel tax is set forth in Rhode Island General Laws § 31-36-7 (“Monthly report of distributors – Payment of tax”). Since 2014, statute has required that the tax be adjusted every two years based on inflation for the prior year. House Bill 5076 Substitute A, as amended, updates that statute. Starting with the 2027 adjustment, the calculation will be based on the inflation as of September for the two years preceding the increase. This new formula for inflation **will not be applied to the increase scheduled for July 1, 2025**. This change will take effect with the adjustment scheduled for July 2027, which will likely be announced in late 2026. The statute mandates the adjustment be rounded to the nearest one-cent increment.

Rhode Island Motor Fuel Tax – inflation adjustment		
EFFECTIVE DATE	CHANGE	TAX PER GALLON
July 1, 2025	New base tax rate	40 cents
July 1, 2023	3-cent increase	37 cents
July 1, 2021	no change	34 cents
July 1, 2019	1-cent increase	34 cents
July 1, 2017	no change	33 cents
July 1, 2015	1-cent increase	33 cents
By law, inflation formula is applied once every two years.		

The new tax rate will apply only to the 40-cent Rhode Island excise tax; it does not impact the Rhode Island environmental protection regulatory fee, or to the federal excise tax (see following tables).

Current overall Motor Fuel Tax in Rhode Island (in cents)	
State excise tax	37.00
State environmental fee	1.00
Federal excise tax	18.40
Total federal and Rhode Island gas	56.40
Source: American Petroleum Institute, as of October 2024.	

Overall Motor Fuel Tax in Rhode Island (in cents) effective July 1, 2025	
State excise tax	40.00
State environmental fee	1.00
Federal excise tax	18.40
Total federal and Rhode Island gas tax	59.40
Source: American Petroleum Institute, as of October 2024.	

The Motor Fuel Tax applies to diesel and other taxable motor fuels that meet the definition of “fuels” under Rhode Island General Laws § 31-36-1(4).

For questions about motor fuel taxes, contact the Division of Taxation’s Excise Tax Section by email at Tax.Excise@tax.ri.gov, or by phone at (401) 574-8955 between 8:30 a.m. and 3:30 p.m. on business days.

The Rhode Island Division of Taxation, part of the Rhode Island Department of Revenue, is open to the public from 8:30 a.m. to 3:30 p.m. business days. For more information, contact the Division of Taxation at (401) 574-8829 or see <https://tax.ri.gov/about-us/contact-us>.
